

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Approval of March 8, 2001

ITEM NUMBER: 2

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: April 5, 2001

INFORMATION: _____

PRESENTER(S): Chairperson

Please see the attached minutes of the March 8, 2001, meetings of the Teachers' Retirement Board.

PROPOSED
MINUTES OF THE
TEACHERS' RETIREMENT BOARD
OPEN SESSION
THURSDAY, MARCH 8, 2001
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA 95826

BOARD MEMBERS PRESENT

Gary Lynes, Chairperson
Paul Krasnow
Marty Mathiesen
Karen Russell
Jay Schenirer
Carolyn Widener
Walter Barnes, representing the State Controller, Kathleen Connell
Curt Robinson, representing the Superintendent of Public Instruction, Delaine Eastin
Jennifer DuCray-Morrill, representing the State Treasurer, Philip Angelides
Annette Porini, representing the Director of Finance, B. Timothy Gage

STAFF PRESENT

James D. Mosman, Chief Executive Officer
Christopher Ailman, Chief Investment Officer
Christopher Waddell, Chief Counsel
Elleen Okada, Director, Investment Administration and External Relations
Peggy Plett, DCEO, Administration
Michael Carter, DCEO, Client Benefits and Services
Laurence Martin, DCEO, Information and Financial Systems
Ed Derman, DCEO, External Affairs and Program Development
Ken Costa, START Project Director
Ted Hynson, Chief, Administrative Services
Mary Miles, Administrative Assistant

OTHERS PRESENT

Maureen Rice, WorldGroup Consulting
Laura Metzger, Science Applications International Corporation
Susan Goff, CRTA
Beverly Carlson, CTA
Dorothy Moser, UTLA-R & CTA-R
Bill Collins, CTA
Lois Shive, CTA
Al Reyes, UTLA
Loretta Toggenburger, UTLA-R
Donald Douglas, CTA-R
Robert Landis, UESF
Norman Gould, CRTA

Karen Stapf-Waters, ACSA
John Baley, FACCC

A quorum being present, the meeting came to order at 9:07 a.m.

II. **ELECTION OF THE TEACHERS' RETIREMENT BOARD CHAIR AND VICE-CHAIR**

Due to the change in the make-up of the Board, Mr. Mosman ran the election using the published Board Election Process.

Mr. Mosman requested nominees for the office of Chairperson of the Board.

MOTION duly made by Mr. Mathiesen, seconded by Ms. Russell, to nominate Mr. Lynes as Chairperson of the Board. MOTION duly made by Ms. DuCray-Morrill, seconded by Ms. Porini, and carried to close the nominations. MOTION carried to elect Mr. Lynes Chairperson of the Board for 2001.

Mr. Mosman requested nominees for the office of Vice-Chairperson of the Board.

MOTION duly made by Ms. Widener, seconded by Mr. Schenirer, to nominate Mr. Fenimore as Vice-Chairperson of the Board. MOTION duly made by Ms. DuCray-Morrill, seconded by Ms. Porini and carried to close the nominations. MOTION carried to elect Mr. Fenimore as Vice-Chairperson of the Board for 2001.

Mr. Lynes assumed his role as Chairperson of the meeting.

III. **ANNOUNCEMENTS**

Chairperson Lynes introduced the four new Board Members, Paul Krasnow, Karen Russell, Jay Schenirer, and Carolyn Widener. Chairperson Lynes asked the Board to give Mr. Mosman their requests to serve on specific committees.

IV. **APPROVAL OF MINUTES OF FEBRUARY 8, 2001 MEETING**

Ms. DuCray-Morrill requested that the minutes be amended to include additional information on the motions approving Board and staff travel. Ms. DuCray-Morrill stated it is the Treasurer's policy to only approve in-state Board travel and not to approve any out-of-country travel for executive staff; therefore, each travel request needs to be identified as in-state, out-of-state, or out-of-country.

MOTION duly made by Ms. DuCray-Morrill, seconded by Ms. Widener, and carried to approve the Board Meeting Minutes of February 8, 2001, as amended.

V. **COMMITTEE REPORTS**

INVESTMENT COMMITTEE: Mr. Lynes, Chairperson of the Investment Committee, reported that, in open session, the Investment Committee deferred discussion on the Asset Allocation until April and the Subcommittee on Corporate Governance did not meet due to lack of a quorum. Mr. Lynes reported the Committee received a report on investments

related to the Community Reinvestment Act, discussed the Concept for an Affordable Housing Program and Urban Development and received the Annual Program Update for Credit Enhancement, Activity Status Reports on Credit Enhancement, Real Estate, Alternative Investments, and the report of the Chief Investment Officer.

In closed session, the Committee discussed a matter of investment opportunity and approved a large investment opportunity in a real estate fund subject to due diligence. The Committee also heard an investment-sensitive report relating to fees.

BY CONSENSUS, the report of the Investment Committee was accepted.

HEALTH BENEFITS COMMITTEE: Mr. Barnes, reporting for the Chairperson of the Health Benefits Committee, stated that the Committee heard three information items, including the Review of the Medicare Part A Enrollment Efforts, the 2001 Report to the Legislature on Health Care, and the Task Force Update.

BY CONSENSUS, the report of the Health Benefits Committee was accepted.

VI. **CHIEF EXECUTIVE OFFICER REPORT**

Mr. Mosman provided a follow-up report to problems experienced in the Public Service Office due to the increased phone activity regarding Medicare. Staff sent out a notice with the benefit checks this month advising members that we were experiencing an unusually high volume of phone calls, and that a special call center had been set up to handle Medicare-related calls. Mr. Mosman stated that these actions have improved the Public Service Office service levels.

VII. **START PROJECT STATUS**

Mr. Mosman provided an overview of the START Project. Mr. Costa, Ms. Rice of WorldGroup Consulting, and Ms. Metzger of Science Applications International Corporation provided an update on the START Project. Mr. Costa reported the targeted “go live” date is scheduled for March 15. Ms. Porini asked staff, after the new system is on-line, to come back with a report on what staff has learned from the process and evaluate what may have been done differently. Mr. Costa stated there was a plan to conduct a “Lesson Learned” session for the Project.

VIII. **UPDATE ON LEGISLATION**

STATE: Mr. Derman requested to hold over taking a position on SB 165 (O’Connell) until next month. Mr. Collins, CTA, stated SB 165 would help with teacher shortages by extending the current law for members and distributed an information flyer on the bill.

Mr. Mathiesen encouraged the Board to support AB 135 (Havice) next month.

Ms. Widener requested staff to come back with information on the type of retirement programs (i.e., Cash Balance, Social Security) used by part-time community college teachers, and what other states do about pension portability.

FEDERAL: Mr. Derman reported staff continues to work with Representative Thomas on securing the fourth Elk Hills installment. Also, Mr. Derman reported that Hogan and Hartson contemplates something will pass this year on Pension Portability as part of the tax cut, the Social Security issue will probably go to a Presidential commission along with Medicare and a prescription drug plan.

IX. **ACTUARIAL SERVICES CONTRACT**

Mr. Reed recommended that the Board extend the contract with Milliman & Robertson, effective January 1, 2002 through December 31, 2002, with comparable fees and a reduction in fees and requirements for routine consulting services. Mr. Reed stated that if this extension is approved, staff would prepare an Request For Proposal for the Actuarial Services Contract next year.

MOTION duly made by Mr. Mathiesen, seconded by Ms. DuCray-Morrill, and carried to approve the contract extension with Milliman & Robertson as recommended by staff. Mr. Barnes abstained.

X. **2001 ANNUAL REPORT ON PURCHASING POWER OF ALLOWANCES**

Mr. Reed reported that approximately 26 percent of CalSTRS benefit recipients received a purchasing power supplement.

MOTION duly made by Mr. Mathiesen, seconded by Ms. DuCray-Morrill, and carried to approve the 2001 Annual Report on Purchasing Power of Allowances as presented.

XI. **APPROVAL OF CONTRACTS EXCEEDING \$500,000**

Mr. Hynson requested approval for three contracts: Nanran, Inc.; Visionary Integration Professionals; and State Controller's Office.

MOTION duly made Mr. Schenirer, seconded by Ms. Russell, and carried, to approve the contract with Nanran, Inc. as requested. Ms. DuCray-Morrill voted no.

MOTION duly made by Mr. Robinson, seconded by Mr. Mathiesen, and carried, to approve the contract with Visionary Integration Professionals as presented. Ms. DuCray-Morrill voted no.

MOTION duly made by Mr. Mathiesen, seconded by Ms. Widener, and carried to approve the contract with the State Controller's Office as presented.

XII. **TRAVEL**

Mr. Mosman presented this item.

MOTION duly made by Mr. Mathiesen, seconded by Ms. Widener, and carried to approve the travel requests as presented. Mr. Barnes voted no.

Ms. DuCray-Morrill stated that the Treasurer would support out-of-state travel for Executive Staff.

MOTION duly made by Ms. Widener, seconded by Ms. Russell, and carried, to approve the travel summaries as submitted.

XIII. **OVERVIEW OF ACTUARIAL VALUATIONS**

Mr. Reed presented this item.

XIV. **ALLOCATION OF INVESTMENT ASSETS FOR THE CASH BALANCE BENEFIT PROGRAM AND THE DEFINED BENEFIT SUPPLEMENT PROGRAM**

Mr. Derman reported that staff would be investing the assets of the Cash Balance Benefit Program and the Defined Benefit Supplement Program into approximately 90 percent of the assets that the main portfolio invests in to increase the diversification of those investments. This should reduce the volatility in returns and increase the return on those funds.

XV. **CASH BALANCE BENEFIT PROGRAM UPDATE**

Mr. Lujano provided an update to the Cash Balance Benefit Program's Program Marketing, Participating Employers, Rate of Return on Investments, and Benefit Applications Received.

XVI. **DRAFT AGENDA FOR THE APRIL REGULAR MEETING**

There were no changes made.

XVII. **OPPORTUNITIES FOR STATEMENTS FROM THE PUBLIC**

Mr. Gould, CRTA, welcomed the new Board Members and stated that CRTA wants to join with the Board on issues that profoundly effect the quality of life for all retired teachers, such as healthcare. Mr. Gould stated that CRTA just completed a survey of its members on their healthcare priorities and cost is their biggest concern. Half of those who responded say they need help in paying either their health insurance costs or the premium for Medicare Part B; only ten percent wanted a prescription drug program. Mr. Gould encouraged the Board to support AB 191 (Karnette).

Ms. Widener read an article on the accomplishments of Blanche Bettington, a recently deceased teacher who retired in 1966 with 42 years of teaching.

XVIII. **MOVED TO CLOSED SESSION**

Chairperson Lynes moved into closed session at 11:44 a.m.

XIX. **ADJOURNMENT**

There being no further business to conduct, the meeting was adjourned at 11:46 a.m.

James D. Mosman, Chief Executive Officer
and Secretary to the Teachers' Retirement Board

Gary Lynes, Chairperson